WSSCWATER
DELIVERING THE ESSENTIAL

OFFICE OF THE INSPECTOR GENERAL

LAUREL, MARYLAND

CONTRACT CLOSE-OUT AUDIT

PROCUREMENT OFFICE

mcnewassociates.com

OIG PROJECT NUMBER 25-CCA-01

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OG #20260505-022238

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TO: CHAIR SMITH, VICE CHAIR POWELL, COMMISSIONER ESPY-WILLIAMS, COMMISSIONER FOSTER, COMMISSIONER SELTZER, AND COMMISSIONER SPEED-BOST
GENERAL MANAGER/CEO POWELL

THRU: JON T. RYMER, INSPECTOR GENERAL
OFFICE OF THE INSPECTOR GENERAL

THRU: DANA E. WHITING, DEPUTY INSPECTOR GENERAL FOR AUDIT
OFFICE OF THE INSPECTOR GENERAL

FROM: JAMES A. WALL, JR., SUPERVISORY AUDITOR
SUGANDHA SINGH, AUDITOR
OFFICE OF THE INSPECTOR GENERAL

DATE: JUNE 18, 2026

SUBJECT: **CONTRACT CLOSE-OUT AUDIT**

OG #20260505-022238

We have already discussed with management issues of concern, and their action plans are included in this report. We appreciate the assistance provided by management and other personnel. We hope the information and recommendations presented in our report are helpful.

Attachment

cc: Corporate Secretary, (J. Montes De Oca)
General Counsel, (N. Hickson)
Chief of Staff, (J. DeVantier)
Performance and Accountability Director, (H. Hagos)
Deputy General Manager External Affairs, (C. Bickham)
Procurement Office, Chief Procurement Officer, (C. Poole-Williams)
Procurement Office, Deputy Chief Procurement Officer, (M. Jackson)

EXECUTIVE SUMMARY

Strengthen WSSC's Contract Close-out Procedures

Why The OIG Did This Audit

In accordance with the Washington Suburban Sanitary Commission (WSSC) Office of the Inspector General's (OIG) Fiscal Year (FY) 2025 Risk-Based Work Plan, and the authority granted to the OIG pursuant to Public Utilities Article, § 17-605 (a)(6) of the Annotated Code of Maryland, the OIG conducted an audit of WSSC's background checks. The OIG conducted the audit in accordance with the U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards*.

The Procurement Office provides WSSC contract managers and project managers with tools to monitor the closing out of contracts and purchase orders in accordance with WSSC policies. Close-out procedures are critical to the overall administration of contracts and purchase orders. The close-out procedures ensure that service providers have satisfactorily completed their performance and product delivery. In addition, the close-out procedures address and help to ensure all other obligations under the terms of contracts and purchase orders have been met.

Strategic Alignment
This report addresses WSSC Strategic Priority: Optimizing Operations.

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What the OIG Found

The OIG determined whether the WSSC Procurement Office, contract managers, and project managers are adhering to WSSC's close-out procedures for contracts and purchase orders. The OIG examined the Procurement Office's contracts or purchase orders closed between October 1, 2024, and February 14, 2025. There were 158 contracts and/or purchase orders that were closed during the audit period, totaling approximately $143 million. The OIG examined 20 contracts and/or purchase orders totaling approximately $23 million.

The audit evidence disclosed efficient, effective operations in accordance with applicable regulations, guidelines, and policies. However, the OIG identified areas requiring operational strengthening, including formalizing the Procurement Office's business practices, training, and consistently updating policies to maintain operational effectiveness. The OIG did not identify specific instances of non-performance; however, the OIG did find that the following process deficiencies were identified:

- Close-out checklists were not completed promptly;
- Contracts were not closed out within the time standard; and,
- Contract performance evaluations were not completed in a timely manner.

WSSC management has addressed each of the OIG's recommendations, and where applicable, presented operational improvements or provided corrective action plans with anticipated due dates. Management's action plans include hiring dedicated personnel, internal procedures, a comprehensive acquisition lifecycle, training videos, and an annual refresher of the contract close-out process.

EXECUTIVE SUMMARY

Background

In accordance with the Washington Suburban Sanitary Commission's (WSSC) Office of the Inspector General's (OIG) Fiscal Year (FY) 2025 Risk-Based Work Plan, and the authority granted to the OIG pursuant to Public Utilities Article (PUA), § 17-605 (a)(6) of the Annotated Code of Maryland, the OIG conducted an audit of the Procurement Office's Contract Close-Out process. The OIG conducted the audit in accordance with the U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards (GAGAS)*.

According to WSSC's Manual of Standard Procedures (Manual), Chapter 6.30, the Procurement Office is responsible for the contract close-out process, while the using departments are responsible for managing all aspects of a contract, including administration of the terms during performance, and the eventual close-out of the contracts and purchase orders. Although WSSC's Chapter 6.30 states that its purpose is to provide "guidance," the operative provisions throughout the chapter impose mandatory responsibilities and requirements.

Notwithstanding, the Close-out procedures are a critical component of contract administration because they ensure that contractors have satisfactorily completed all required performance, delivered all required goods and services, fulfilled all contractual obligations, and resolved all outstanding administrative matters before final closure. The Procurement Office provides WSSC contract managers and project managers with tools to monitor the close out of contracts and purchase orders in accordance with WSSC's Manual.

Objective

This audit determined whether the WSSC Procurement Office, contract managers, and project managers are adhering to WSSC's contract and purchase order close-out procedures.

Scope and Methodology

The scope of the audit included the Procurement Office's contracts and purchase orders closed between October 1, 2024, and February 14, 2025. During the audit period, WSSC closed 158 contracts and purchase orders totaling approximately $143 million. The OIG examined a total of 20 contracts and purchase orders totaling approximately $23 million. To accomplish the audit's objective, the OIG:

- Reviewed WSSC's Manual, Chapter 6.30, Purchase Order Close-Out Procedures to obtain an understanding of applicable close-out processes, responsibilities, and procedural requirements;
- Examined the Procurement Office's original contracts and generated a random sample of twenty closed contracts and purchase orders based on the auditor's professional judgment;
- Reviewed close-out checklists and supporting documentation for accuracy and completeness;
- Determined whether contracts and purchase orders were administratively closed out in accordance with WSSC procedures governing the applicable contract and purchase order types;

- Examined Contract Performance Issue Questionnaires and related performance evaluation documentation for each sampled contract and/or purchase order to determine if the contract managers and project managers properly and timely evaluated vendors;
- Examined certificates of final acceptance or substantial completion to determine the contracts were completed, accepted, and eligible for closeout;
- Examined maintenance and/or performance bonds to determine whether the bonds were adequate, properly maintained, and consistent with applicable contract requirements; and
- Determined whether any improper or excessive payments were made on contracts or purchase orders after contract close-out.

GAGAS requires the OIG to plan and perform the audit to obtain sufficient, appropriate evidence, to provide a reasonable basis for our findings and conclusions based on the audit objectives. Accordingly, based on the audit's scope and objectives, and the evidence obtained, we provide a reasonable basis for our findings and conclusions stated herein.

Conclusion

Overall, the Procurement Office is adhering to WSSC's close-out procedures for contracts and purchase orders. However, the OIG identified areas requiring operational strengthening, including formalizing the Procurement Office's business practices, training, and consistently updating policies to maintain operational effectiveness. For the sample of contracts and purchase orders selected for testing, the OIG did not identify specific instances of non-performance. However, the following process deficiencies in the close-out procedures were identified:

- Close-out Checklists were not completed promptly;
- Contracts were not closed out within the time standard; and,
- Contract performance evaluations were not completed in a timely manner.

The OIG appreciates the cooperation and professionalism demonstrated by the Procurement Office management team, their staff, and all the contract administrators and project managers throughout the audit. The team members were highly approachable, responsive, transparent, and cooperative. Their willingness to share information and explain contract close-out processes contributed to the efficiency and quality of this audit.

FINDING, MANAGEMENT RESPONSES, AND ACTION PLANS

Finding 1: Close-out procedures were not completed promptly

Risk Rating: **MEDIUM**

Section 6.30.060, governing the form and content of close-out procedures, states that [t]he actions in this section shall be used following contract completion, the end of the contract period of performance, or contract termination. Consistent with this requirement, Section 6.30.060 (b)(1) states that a contract close-out checklist shall be included in the contract file to ensure all applicable award and administrative actions are documented.

Although the close-out checklist is not intended to be all-inclusive, Section 6.30.060 (b)(3) states, in part, that the Procurement Services Division designee shall ensure that the required [close-out] actions are completed and properly documented in the contract file.

The checklist outlines the actions and procedures to properly and promptly close out contracts or purchase orders. The OIG noted that 16 of 20 (80%) close-out checklist forms were not completed in a timely manner. The identified delays were significant, ranging from several months to over three years beyond the standardized timelines set by the procedure. More specifically, 15 of the close-out checklists were completed during the audit after the OIG requested the documentation during the audit process and one contract was not completed at all. Additionally, three contracts remained open due to outstanding contract options that had not yet been exercised. Only one close-out checklist form was completed correctly and on time. The OIG also noted that the Procurement Office did not follow up and review the contract files to verify that all the close-out procedures and documentation had been completed before contract closure.

Section 6.30.040 (c), governing close-out procedures, states that completion [of the close-out procedures] shall be accomplished for all contracts and purchase orders within the prescribed time standards:

Contract Types	Time Standard for Close-Out
Simplified acquisition procedures	Within 90 days following final payment
Firm – fixed priced, without simplified acquisition procedures	6 months
Cost reimbursement contracts, settlement of indirect costs	36 months
Construction contracts > $100,000	One year following the final completion date of all tasks and after the maintenance bond is released

The project managers did not close out contracts in accordance with the type of contract awarded to service providers. The OIG noted that six (30%) of 20 contracts were not closed out within the time standard. Two of the contracts for simple purchases of goods were not closed out within 90 days. Four construction contracts were not closed out within one year.

Section 6.30.070 (b)(6)(i) requires the Procurement [Office's] designee shall complete contract performance evaluation within 30 days of close-out.

The OIG noted that 12 (60%) out of 20 contract performance evaluations were not completed within the required time frame, with an average of 446 days past deadline. Seven of the 12 evaluations were submitted late. Two of the evaluations were not provided for review, and the other two were completed for incorrect contracts or purchase orders. And finally, one evaluation was completed before the contract was closed.

The project managers did not promptly complete the necessary close-out procedures, nor did the Procurement Office ensure all required actions were complete and properly documented in the contract file. These deficiencies occurred in part because the Procurement Office lacks a formal process requiring regular training on how and when to complete the close-out checklist form. Secondly, communication between project managers, contract managers, and the Procurement Office could be improved to eliminate delays in the completion of the close-out procedures.

The risk of not performing these procedures correctly and in a timely manner leads to the following issues:

- Lack of assurance that all contractual obligations were completed (i.e., final payments to contractors, remittances to subcontractors, fulfillment of maintenance and performance bonds, and overall contract performance); and
- Improper assessment of overall contract performance; and
- The risk of awarding future contracts to poor-performing contractors.

Recommendation 1: Formalize business practices and update policies periodically

The OIG recommends that the Procurement Office develop procedures for closing out contracts and purchase orders in accordance with WSSC's Manual of Standard Procedure, Chapter 6.30. Additionally, OIG recommends implementing mandatory periodic training for all Procurement Office contract staff, contract administrators, and project managers to ensure a consistent understanding of all the close-out procedures.

These recommendations will strengthen consistency among those responsible for contract administration, solidify their knowledge of the contract close-out process, and reduce the related financial, operational, and compliance risks.

Management Response and Action Plan (including anticipated due dates):

Management agrees with the finding and [the] recommendation.

Prior to the issuance of this audit finding, the Procurement Office initiated a comprehensive review of its contract close-out processes and identified opportunities to strengthen standardization, documentation, and training related to contract administration and contract close-out activities. As part of these efforts, the Procurement Office hired a Senior Procurement Compliance Specialist [on March 17, 2025,] to assist with the development, implementation, and oversight of procurement compliance initiatives, including contract close-out procedures.

To formalize business practices and improve consistency, the Procurement Office developed and issued Internal Operating Procedure (IOP) No. 033-2026, Contract Close-Out Process, which establishes standardized responsibilities, workflows, documentation requirements, and mandatory close-out timeframes for Contract Managers, Administrative Contract Managers (ACMs), and Procurement personnel. The IOP became effective on March 26, 2026, and provides a structured framework to support compliance with Chapter 6.30 of the WSSC Manual of Standard Procedures.

Management Response and Action Plan (including anticipated due dates):

In addition, the Procurement Office has developed a comprehensive Acquisition Lifecycle Professional Development Program designed to standardize procurement and contract management practices across WSSC Water. As part of this program, training will be provided on procurement roles and responsibilities throughout the acquisition lifecycle, including contract administration, contractor performance evaluations, documentation requirements, audit readiness, and contract close-out responsibilities. The training program is scheduled to begin on July 1, 2026, and will be facilitated by a professional training resource.

To further reinforce training and ensure ongoing accessibility, the Procurement Office is developing an on-demand training video and supplemental reference materials that will provide guidance on key procurement and contract administration processes, including contract close-out requirements.

These actions will strengthen internal controls, improve communication and coordination between Procurement and using departments, establish consistent contract administration and close-out practices, enhance audit readiness, and reduce operational, financial, and compliance risks associated with contract administration.

Anticipated Completion Dates

Action Item	Status	Completion Date
Hire Senior Procurement Compliance Specialist	Completed	March 17, 2026
Issue Contract Close-Out IOP No. 033-2026	Completed	March 26, 2025
Acquisition Lifecycle Training Program Rollout	Scheduled	July 1, 2026
Develop Procurement Training Video and Reference Materials	In Progress	September 30, 2026
Annual Refresher Training and Periodic IOP Review	Ongoing	Annually